



PUBLIC NOTICE

DOCKET FILE COPY ORIGINAL

76407

Federal Communications Commission
1919 M St., N.W.
Washington, D.C. 20554

News media information 202 / 418-0500
Fax-On-Demand 202 / 418-2830
Internet: <http://www.fcc.gov>
<ftp.fcc.gov>

DA 97-1932

Released September 5, 1997

**Updated Frequently Asked Questions on Universal Service
for Rural Health Care Providers**
CC Docket No. 96-45

On May 8, 1997, the Federal Communications Commission (Commission) released a Report and Order on Universal Service (May 8 Order). Section 254(h) of the Communications Act of 1934 (the Act), better known as the Snowe-Rockefeller-Exon-Kerrey Amendment, requires that public and non-profit rural health care providers have access to telecommunications services necessary for the provision of health care services at rates comparable to those paid for similar services in urban areas. In addition, section 254(h)(2) articulates the principle that health care providers should have access to advanced telecommunications services.

These frequently asked questions are presented in response to questions the Commission has received since release of the May 8 Order.

I. Eligibility for Universal Service Support

#1 Q: Which health care providers are eligible for universal service benefits?

A: The Commission concluded that only public or non-profit health care providers are eligible to receive supported telecommunications services. Eligible health care providers, except those requesting only access to an Internet service provider, must also be located in a rural area. (See question 8). The Act defines "health care providers" as: (1) post-secondary educational institutions offering health care instruction, teaching hospitals, and medical schools; (2) community health centers or health centers providing health care to migrants; (3) local health departments or agencies; (4) community mental health centers; (5) not-for-profit hospitals; (6) rural health clinics; and (7) consortia of health care providers consisting of one or more of these entities.

#2 Q: How will a health care provider determine whether it is located in a rural area for purposes of eligibility?

A: Under our rules, a rural area is defined as a non-metropolitan county identified in the OMB Metropolitan Statistical Area list, together with those rural areas in metropolitan counties as

identified in the most recent "Goldsmith Modification" of the OMB list. The "Goldsmith Modification" identifies rural pockets within larger urban metropolitan counties. The Commission chose this approach because it accurately identifies rural areas. The Commission is currently developing an easy to use list of the OMB metropolitan counties, as well as census tracts covered by the Goldsmith Modification, that both the Commission and the universal service administrator will post on their websites.

#3 Q: If a non-profit Health Maintenance Organization has its headquarters in an urban area and is billed at that urban location, but has facilities in several rural areas, would the facilities located in those rural areas be considered urban or rural for purposes of universal service eligibility?

A: The Commission decided that each separate site or location of a health care provider shall be considered an individual health care provider for purposes of calculating support. Therefore, each facility located in a rural area would be eligible for supported telecommunications services regardless of whether the headquarters for that facility is located in an urban area.

#4 Q: Will health care providers in insular areas receive supported telecommunications services?

A: Yes. The Commission determined that universal service support for telecommunications services and Internet access should also be provided in insular areas. Because of the lack of information in the record regarding the telecommunications needs of insular areas and the costs of supporting such services, the Commission will issue a public notice to address those issues. Insular areas include American Samoa, Commonwealth of the Northern Mariana Islands (CNMI), Guam, and the U.S. Virgin Islands.

II. Services Eligible for Support

#5 Q: Which telecommunications services will be supported for eligible health care providers?

A: The Act states that "services necessary for the provision of health care" may be supported. The Commission concluded that rural health care providers should receive support for any telecommunications service employing a transmission speed of up to and including 1.544 Mbps, including limited distance-based charges. (See question #12 for limitations on support). The Commission also concluded that, pursuant to section 254(h)(2) of the Act, any health care provider that does not have toll-free access to an Internet service provider available may receive limited support.

#6 Q: What kinds of services are included within "any telecommunications service employing a transmission speed of up to and including 1.544 Mbps?"

A: Services included in this definition would include, for example, POTS (plain old telephone service), T-1 service to an urban health center, quarter T-1 service, Primary Rate ISDN service, or equivalent wireless services.

#7 Q: What does the Commission mean by "limited distance-based charges?"

A: Support will be provided for applicable distance-based charges only for the distance between the rural health care provider and the point on the jurisdictional boundary of the nearest large city in the state with a population of 50,000 or more that is the most distant from the health care provider's location.

#8 Q: What does the Commission mean by limited support for toll-free access and which health care providers are eligible for this support?

A: Any health care provider that does not have toll-free access to an Internet service provider available can receive the lesser of \$180 in toll charges per month or the toll charges incurred for 30 hours of access to an Internet service provider per month. For this support, the health care provider does not have to be located in a rural area, but must show that it lacks toll-free Internet access and that it is an eligible health care provider.

#9 Q: What if an eligible health care provider requests a telecommunications service that is not offered in its local area or that could not be supported by the infrastructure or facilities currently in place? Will there be universal service support for infrastructure development?

A: There will be no universal service support for infrastructure development at this time. The Commission concluded that it had insufficient information to determine the level of need for infrastructure development or to estimate reliably the costs of supporting it. There was also insufficient information regarding existing federal and state programs already supporting infrastructure development and the extent to which such programs are meeting current needs. The Commission, therefore, will issue a public notice regarding whether and how to support infrastructure development for public and nonprofit health care providers.

#10 Q: What services will not be eligible for universal service discounts?

A: There will be no support for services transmitted at a rate in excess of 1.544 Mbps. In addition, the Commission emphasized that there will be no support for the facilities over which eligible services are provided. For example, a service within the prescribed bandwidth limitation (i.e., up to 1.544 Mbps) may be carried over a cable network capable of carrying services at higher bandwidths (e.g., 4 -10 Mbps). There will be no universal service support for the cable network, but the 1.544 Mbps service carried over that line may be eligible for support.

III. Funding

#11 Q: How much funding will be available to support eligible rural health care providers?

A: There will be a cap of \$400 million per year on total universal service support for health care providers. The amount of the cap was based on an estimate of what it would cost if every eligible health care provider obtained universal service support for T-1 service and for limited toll free access to an Internet service provider. The actual cost of support is expected to be lower than \$400 million per year.

#12 Q: Is there a limit on the amount of funding each rural health care provider can receive?

A: Yes. A rural health care provider is eligible to receive, for each separate site or location, the most cost-effective, commercially available telecommunications service with a bandwidth capacity of 1.544 Mbps at a rate no higher than the urban rate, which is defined in question 22 below. Support will be provided for this service over a distance not to exceed the distance between the health care provider and the point on the jurisdictional boundary of the nearest city with a population of 50,000 or more that is the most distant from the health care provider's location (the allowable distance). If a health care provider chooses to order and receive a service carried over a distance greater than the allowable distance, the health care provider will only receive support for the allowable distance. Any distance charges over the limit must be paid by the health care provider.

#13 Q: What happens if demand in a particular year exceeds the annual cap of \$400 million?

A: Given the limits on the services that any one health care provider can request, we do not anticipate that the total support for eligible services will exceed the cap. If the amount of support needed for requested services exceeds the funding cap, we will consider the need to revise the cap in our three-year review proceeding or sooner, if necessary, to ensure the sufficiency of the fund. Funds will be available on a first-come, first-served basis, based on date/time the requests are received by the administrator.

#14 Q: What happens if demand in a particular year falls below the annual cap of \$400 million?

A: The Commission recognized that there is a lack of historical data with which to forecast precisely the funding demands for the first year of the program. To avoid a surplus of funds, the Commission has directed the universal service administrator to collect funds on an as-needed basis. Specifically, the administrator will collect \$100 million in the first three months of 1998 and will adjust future contribution assessments based on its evaluation of health care provider demand for funds. Any further adjustments to the cap can be addressed in the Commission's review of the health care program in the year 2001 or sooner, if necessary.

#15 Q: What is the source of the money used to pay for universal service support for eligible health care providers?

A: All telecommunications carriers that provide interstate telecommunications services are required to contribute to universal service support mechanisms.

IV. Calculating the Amount of Support

#16 Q: How much will eligible rural health care providers be required to pay for supported services?

A: Rural health care providers will pay an amount no higher than the urban rate for similar services. Health care providers need not calculate urban rates because the calculations will be

done by the telecommunications carrier and the universal service administrator.

#17 Q: How will service providers determine the amount of money they are entitled to receive from the universal service administrator?

A: The amount of support due a carrier for providing a covered service to an eligible rural health care provider is equal to the difference between the urban and rural rates. Carriers can determine the amount of money they are entitled to receive by subtracting from the rural rate the urban rate that would have been charged to the eligible health care provider if it were an urban subscriber to the service. Internet service providers will receive support in an amount not to exceed the lesser of \$180 in toll charges per month or the toll charges incurred for 30 hours of access to the Internet service provider per month.

#18 Q: How will service providers be paid by the administrator? How much will each service provider receive?

A: Service providers required to contribute to universal service support mechanisms will receive an offset to their contribution obligation equal to the amount of support they provide to eligible health care providers. If the amount of support owed a carrier exceeds its universal service obligation, the carrier will receive a reimbursement. If the service provider does not provide interstate telecommunications services and is, therefore, not required to contribute to the universal service support mechanism, the service provider will receive a reimbursement.

#19 Q: How will the "rural rate" be determined?

A: The rural rate, used to determine the credit or reimbursement due a carrier, is the average of the rates charged to commercial customers, other than health care providers, for identical or similar services in the same rural area in which the rural health care provider is located.

#20 Q: What if the telecommunications carrier serving the health care provider is not providing any identical or similar services in the rural area?

A: In this situation, the rural rate shall be the average of the tariffed and other publicly available rates, not including any rates reduced by universal service programs, charged for the same or similar services in that rural area over the same distance as the eligible service by other carriers.

#21 Q: What if there are no tariffed or publicly available rates for such services in the rural area?

A: If there are no tariffed or publicly available rates for such services in the rural area, or if the carrier reasonably determines that the method for calculating the rural rate is unfair, the carrier can, in accordance with §54.607(b)(1)-(2) of the Commission's rules, submit for the state commission's approval (for intrastate rates) or the Commission's approval (for interstate rates), a cost-based rate for providing the service in the most economically efficient, reasonably available manner.

#22 Q: How will the administrator determine the "urban rate?"

A: The urban rate depends on the standard urban distance of the state in which the health care provider is located. The "standard urban distance," which will be calculated for each state by the universal service administrator, is the average of the longest diameters of all cities with a population of 50,000 or more within the state. If the requested service distance is less than or equal to the "standard urban distance" for the state, the charge for that service can be no higher than the rate charged for a similar service over the same distance in the nearest large city to that health care provider (urban rate) (see example 1). If the requested service distance is greater than the "standard urban distance" for the state, but less than the allowable distance (i.e., the distance between the health care provider and the point on the boundary of the nearest large city that is most distant from the health care provider's location), the charge for that service can be no higher than the rate charged for a similar service in the nearest large city to that health care provider (urban rate) over the standard urban distance (see example 2). If the requested service distance is greater than the allowable distance, the charge for that service can be no higher than the rate charged for a similar service, over the same distance, in the nearest large city to that health care provider (urban rate), plus the distance charges based on the rural rate for the distance over the allowable distance (see example 3). The following examples illustrate these definitions:

Example 1: Requested service distance is less than the standard urban distance.

Assumptions:

Standard Urban Distance = 50 miles

Distance of Health Care Provider's service = 40 miles

Urban Rate = \$100 flat rate + \$10/mile

Rural Rate = \$120 flat rate + \$11/mile

Universal Service Support:

Urban Rate: $\$100 + (40 \times \$10) = \$500$

Rural Rate: $\$120 + (40 \times \$11) = \$560$

Health Care Provider pays: \$500

Carrier's offset or reimbursement: $\$560 - \$500 = \$60$

Explanation: Because the distance of the requested service is less than the standard urban distance, the health care provider will pay the urban rate for a similar service offered over the same distance. The urban rate for the service is \$500. The health care provider, therefore, will be billed \$500 instead of \$560, and the carrier will apply to the universal service administrator for the remaining \$60.

Example 2: Requested service distance is greater than the standard urban distance.

Assumptions:

Distance to furthest point in nearest large city = 100 miles

Standard Urban Distance = 50 miles

Distance of Health Care Provider's service = 60 miles

Urban Rate = \$100 flat rate + \$10/mile

Rural Rate = \$120 flat rate + \$11/mile

Universal Service Support:

Urban Rate: $\$100 + (50 \times \$10) = \$600$

Rural Rate: $\$120 + (60 \times \$11) = \$780$

Health Care Provider pays: \$600

Carrier's offset or reimbursement: $\$780 - \$600 = \$180$

Explanation: Because the distance of the requested service is greater than the standard urban distance, but less than the allowable distance, the health care provider will pay only the urban rate for the service provided over the standard urban distance. The urban rate for the service provided over the standard urban distance is \$600. The health care provider, therefore, will be billed \$600 instead of \$780, and the carrier will apply to the universal service administrator for the remaining \$180.

Example 3: Requested service distance is greater than the maximum allowable distance.

Assumptions:

Distance to furthest point in nearest large city = 100 miles

Standard Urban Distance = 50 miles

Distance of Health Care Provider's service = 110 miles

Urban Rate = \$100 flat rate + \$10/mile

Rural Rate = \$120 flat rate + \$11/mile

Universal Service Support:

Urban Rate: $\$100 + (50 \times \$10) = \$600$

Rural Rate: $\$120 + (100 \times \$11) + 10 \times 11$ (charges not covered) = \$1330

Health Care Provider pays: \$600 (urban rate) + $(10 \times \$11)$ (charges not covered) = \$710

Carrier's offset or reimbursement: $\$1,330 - \$710 = \$620$

Explanation: Because the distance of the requested service is greater than the standard urban distance, the health care provider will pay the urban rate for the service provided over the standard urban distance ($\$100 + (50 \times \$10) = \$600$). In addition, because the distance of the requested service (110 miles) is greater than the longest allowable distance (100 miles), the health care provider must pay the rural rate for 10 miles of distance charges ($10 \times \$11 = \110). The health care provider, therefore, will be billed \$710 instead of \$1330, and the carrier will apply to the universal service administrator for the remaining \$620.

V. Restrictions

#23 Q: Can any carrier provide eligible services to health care providers and receive an offset or reimbursement from the universal service administrator?

A: Only those telecommunications carriers that qualify as eligible telecommunications carriers under section 214(e) of the Act and that have been designated eligible by their state commission can provide supported telecommunications services to health care providers and receive an offset or reimbursement from the administrator. Both eligible telecommunications

carriers and telecommunications carriers that do not qualify as eligible telecommunications carriers under section 214(e) can provide toll-free access to an Internet service provider, subject to the limitations discussed in question #8, and receive an offset or reimbursement from the administrator.

#24 Q: Will health care providers have to apply for supported services each year even if they have entered into a multi-year contract for the provision of services?

A: Yes. The Commission recognized that health care providers will often be able to negotiate better rates for prepaid/multi-year contracts and encouraged health care providers to negotiate such contracts. The universal service administrator, however, will only commit funds to cover one year of the contract. Health care providers must, therefore, submit an application for each funding year. Health care providers may either structure their contracts so that payment is required on at least a yearly basis or, if they wish to enter into contracts requiring advance payment for multiple years of service, they may use their own funds to pay full price for the portion of the contract covering services for more than one year, and request that the service provider rebate the payments it receives in subsequent years from the support mechanism.

#25 Q: Will eligible rural health care providers be allowed to aggregate when they apply for services? With whom will eligible rural health care providers be permitted to aggregate?

A: Eligible health care providers may aggregate demand for telecommunications services with other eligible health care providers, schools, libraries, and public sector (governmental) entities. Schools and libraries that join consortia composed only of other schools and libraries, rural health care providers, and public sector (governmental) entities may, under the Communications Act, receive below tariff rates on any eligible tariffed services they order. Eligible health care providers participating in consortia that include private sector entities may receive universal service support only if any interstate services that such consortia receive from incumbent local exchange carriers are provided at generally tariffed rates. In addition, universal service support will only be provided for the portion of eligible services used by an eligible health care provider.

#26 Q: Are eligible health care providers permitted to resell the universal service supported services they receive?

A: No. The Act states that eligible health care providers are prohibited from reselling supported telecommunications services for money or any thing of value. This prohibition against resale does not, however, prohibit a health care provider from charging normal fees for health care services, including instruction related to such services rendered via telecommunications services purchased via the universal service mechanisms.

VI. Applying for Supported Services

#27 Q: Who is responsible for administering the health care portion of universal service?

A: In the May 8 Order, the Commission appointed the National Exchange Carrier Association

(NECA) as the administrator of the entire universal service program. In an order released on July 17 (the NECA Governance Order), the Commission directed NECA to create an independent, not-for-profit subsidiary to be designated the Universal Service Administrative Company (USAC). USAC will perform temporarily billing and collection functions associated with the universal service support mechanisms for rural health care providers. In addition, the Commission directed NECA to incorporate a not-for-profit, unaffiliated corporation that will be responsible for administering the rural health care program, except with regard to those matters directed related to billing, collection, and disbursement of funds (Rural Health Care Corporation). The Rural Health Care Corporation's responsibilities will include, for example, administering the application process for eligible health care providers, creating and maintaining a website on which applications for services will be posted, and performing outreach and public education functions.

#28 Q: How can rural health care providers apply for universal service support?

A: An eligible health care provider will be required to submit a request for services to the Rural Health Care Corporation, signed by an authorized officer of the health care provider, certifying under oath, that: (1) the requester is a public or non-profit entity that falls within the definition of health care provider appearing in section 254; (2) the requester is physically located in a rural area, unless the health care provider is requesting toll-free access to an Internet service provider only; (3) if the requester desires toll-free access to an Internet service provider, that the requester currently cannot obtain toll-free access to an Internet service provider; (4) the requested service or services will be used solely for purposes reasonably related to the provision of health care services or instruction that the health care provider is legally authorized to provide under the law in the state in which the health care services or instruction are provided; (5) the requested service or services will not be sold, resold or transferred in consideration of money or any other thing of value; (6) if the service or services are being purchased as part of an aggregated purchase with other entities or individuals, the full details of any such arrangement, including the identities of all co-purchasers and the portion of the service or services being purchased by the health care provider; and (7) the requester will select the most cost-effective method of providing the requested service or services. The most cost-effective method of providing a service is defined as the method with the lowest cost after consideration of the features, quality of transmission, reliability, and other factors that the health care provider deems relevant to choosing a method of providing the required health care services. The Rural Health Care Corporation will then post this information on its universal service health care website. Service providers may then contact the health care providers whose descriptions of services were posted and may submit bids for the provision of the requested services. Additional details about the mechanics of applying for universal service support will be available in the near future.

#29 Q: Will eligible health care providers receive funds from the universal service administrator to cover the cost of eligible services ordered?

A: No. Eligible health care providers will benefit from the universal service support mechanism by receiving lower bills. Service providers will recover the difference from the universal service administrator.

VII. Implementation

#30 Q: When will health care providers start receiving universal service support?

A: Universal service support will be available for eligible health care providers on January 1, 1998. The Commission is currently developing an application process for universal service support. Eligible health care providers should use the time until then to assess their resources and their telemedicine needs and to decide which telecommunications services would best suit those needs.

#31 Q: What is the best way to stay informed about the Commission's universal service benefits for rural health care providers?

A: Visit the Commission's health care web site at www.fcc.gov/healthnet. Those without Internet access can call 1-888-CALL-FCC.

For further information, please contact Kim Parker, Federal Communications Commission, 202-418-7393.